

Members

Rep. Sheila Klinker, Chairperson
Rep. Phillip Hinkle
Sen. Ron Alting
Sen. Frank Mrvan
Patrick Reardon
Edwin Rousseau
Alan E. Jones
Pam Meyer
Kostas Poulakidas
Deanna Oware



ENTERPRISE ZONE STUDY COMMISSION

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Commission
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Authority: P.L. 63-2004

MEETING MINUTES¹

Meeting Date: October 12, 2004
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington
St., Room 431
Meeting City: Indianapolis, Indiana
Meeting Number: 3

Members Present: Rep. Sheila Klinker, Chairperson; Rep. Phillip Hinkle; Sen. Ron Alting; Sen. Frank Mrvan; Patrick Reardon; Edwin Rousseau; Alan E. Jones; Pam Meyer; Kostas Poulakidas; Deanna Oware.

Members Absent: None.

I. Call to Order

Representative Klinker, Chairperson, called the third and final meeting of the Enterprise Zone Study Commission to order at 1:26 p.m.

II. Review and Discussion of Preliminary Drafts

Representative Klinker first noted that the Commission would not consider PD (preliminary draft) 3054, PD 3098, or PD 3101 because the PDs contained problematic tax shifts.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

The Commission then considered PD 3402, which establishes the Enterprise Zone (EZ) Job Creation Tax Credit. See Exhibit 1. Upon a motion by Senator Alting and a second by Representative Hinkle, the Commission unanimously approved PD 3402.

Next, the Commission considered PD 3058, which increases the amount of the EZ Loan Interest Credit from 5% to 15% of the interest received from qualified loans. See Exhibit 2. Jim Landers, fiscal analyst for the Commission, indicated that PD 3058 is estimated to result in a \$2 million revenue loss to the state. Upon a motion by Senator Mrvan and second by Senator Alting, the Commission unanimously approved PD 3058.

The Commission also considered PD 3057, which allows EZ retail merchants to claim an additional 1% sales tax collection allowance. See Exhibit 3. Jim Landers indicated that the additional 1% allowance is estimated to result in annual revenue losses of \$700,000 to the state. Upon a motion by Senator Alting and a second by Patrick Reardon, the Commission unanimously approved PD 3057.

The Commission next looked at PD 3137, which provides a 30% credit for research expenses incurred in an EZ that exceed a taxpayer's EZ research expenses incurred in 2005 in addition to the research expense credit for research expenses that are not incurred in an EZ. See Exhibit 4. Upon a motion by Representative Hinkle and a second by Pam Meyer, the Commission unanimously approved by PD 3137.

Finally, the Commission considered PD 3076, which, as originally drafted, allows a taxpayer to assign the EZ Investment Cost Credit and eliminates the various percentage credits applied: (1) across business sectors; (2) according to the number of jobs created; and (3) according to the amount of investment. PD 3076 as drafted also provides that \$50,000 is the minimum level of investment to qualify for a credit and that the credit is equal to the amount of the taxpayer's investment multiplied by 25%. Finally, PD 3076 as drafted caps the credit at \$50,000,000 in 2006 and allows 5% annual growth in the cap thereafter. See Exhibit 5. Ross Hooten, Attorney for the Commission, explained that PD 3076 had been amended to remove all provisions other than the provision making the EZ investment cost credit assignable to certain taxpayers. See Exhibit 6. After extended discussion about the constitutionality of an existing population parameter in IC 6-3.1-10-4 as amended by PD 3076, Representative Hinkle moved to amend the definition of "taxpayer" for purposes of the EZ investment cost credit to mean any person, corporation, or pass through entity. The Commission unanimously approved PD 3076 as amended.

Senator Mrvan asked whether any other changes to existing EZ laws were necessary. Ross Hooten explained that the definition of "zone business" in IC 4-4-6.1-1.1 would need to be changed to refer to tax credits added or amended by PDs approved by the Commission. Upon a motion by Senator Mrvan and a second by Patrick Reardon, the Commission unanimously voted to add this change to PD 3076.

III. Review, Discussion, and Adoption of Final Report

Jim Landers presented the Commission with a draft of the Commission's final report. Mr. Landers stated that the PDs approved by the Commission would be added as recommendations in the final report. Upon a motion by Representative Hinkle and a second by Pam Meyer, the Commission unanimously approved the draft final report.

IV. Adjournment

Representative Klinker adjourned the meeting at 2:29 p.m.